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THE Demand and Price SITUATION

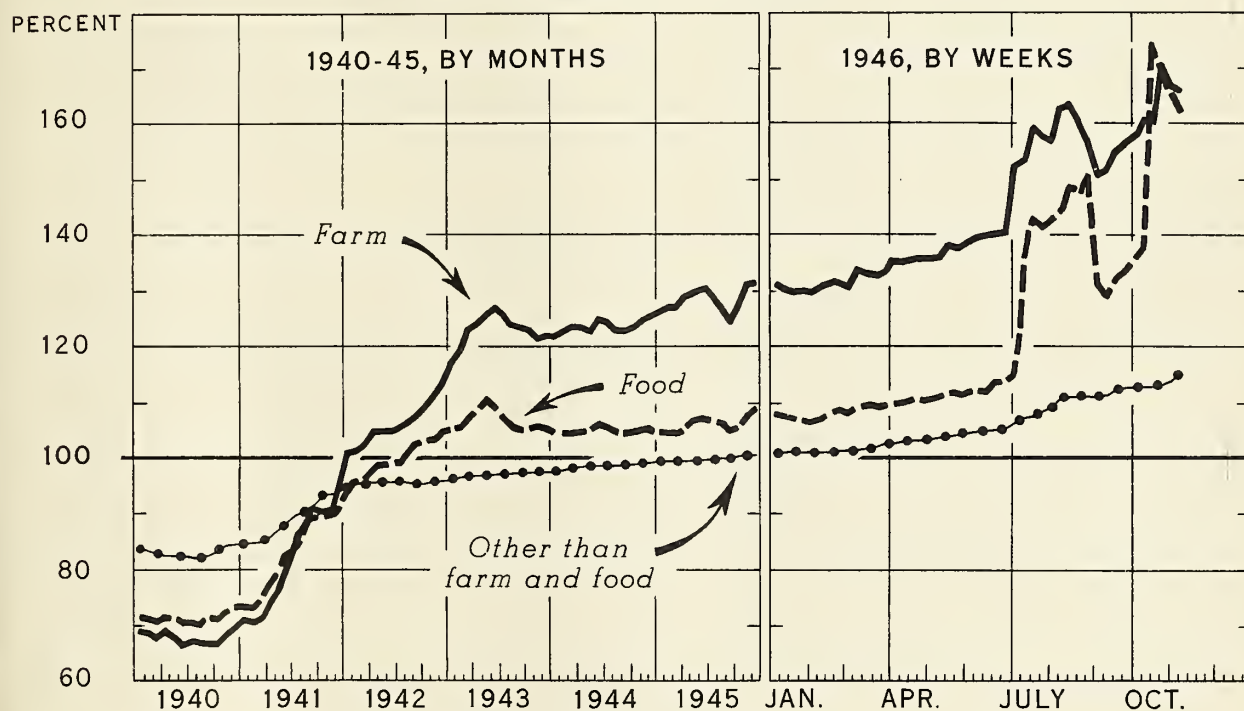
BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C.



NOVEMBER 1946

WHOLESALE PRICES OF FARM PRODUCTS, FOOD PRODUCTS AND ALL PRODUCTS OTHER THAN FARM AND FOOD, BY MONTHS, 1940-45, AND BY WEEKS, JANUARY 5-NOVEMBER 9, 1946
INDEX NUMBERS (1926=100)



U. S. DEPARTMENT OF AGRICULTURE

NEG. 46190 BUREAU OF AGRICULTURAL ECONOMICS

The trend in wholesale prices of food and farm products during 1946--the first postwar year--was steadily upward until the lapse of price control on June 30 when prices rose abruptly. In late August, when ceilings were reimposed on livestock, meats, fats and oils, prices dropped temporarily, but soon resumed their rise. After the de-control actions in mid-October, prices of food and farm products rose sharply reflecting the high level of demand for and the relatively short supply of many products.

Prices of products other than farm and food rose moderately in 1946 until June 30. More rapid increases followed the summer lapse of price control, and recent de-control may add substantially to these prices.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1945		1946			
		Year	Sept.	June	July	Aug.	Sept.
Industrial Production <u>1/</u>	:1935-39						
Total	= 100	203	167	170	172	177	178
All manufactures	"	214	173	176	177	183	184
Durable goods	"	274	194	193	202	208	211
Nondurable goods	"	166	156	162	156	164	163
Minerals	"	137	134	139	146	143	145
Construction activity <u>1/</u>	:1935-39						
Contracts, total	= 100	118	120	303	287	275	263
Contracts, residential	"	64	64	434	395	385	360
Wholesale prices <u>2/</u>	:1935-39						
All commodities	= 100	131	131	140	154	160	154
All commodities except farm and food	"	123	123	130	134	137	138
Farm products	"	169	164	184	207	212	203
Food	"	134	133	143	177	188	167
Prices received and paid by farmers <u>3/</u>	:1910-14						
	= 100						
Prices received, all prod.....	"	202	197	218	244	249	243
Prices paid, int. and taxes ...	"	174	174	188	199	204	200
Parity ratio	"	116	113	116	123	122	122
Consumers' price <u>5/ 6/</u>	:1935-39						
Total	= 100	128	129	133	141	144	146
Food	"	139	139	146	166	171	174
Nonfood	"	123	124	127	128	129	130
Income	:1935-39						
Nonagricultural payments <u>4/</u>	= 100	236	227	236	240	243	242
Cash farm <u>3/</u>	"	283	256	286	253	329	265
Income of Industrial Workers <u>3/</u>	"	286	230	264	264	284	287
Factory payrolls <u>5/</u>	"	307	239	274	278	296	303
Weekly earnings of factory workers <u>5/</u>	:Dollars						
All manufacturing	"	44.39	40.87	43.31	43.34	44.90	45.10
Durable goods	"	49.05	43.95	46.32	46.13	47.84	47.95
Nondurable goods	"	38.29	37.80	40.28	40.49	41.90	42.15
Employment	:						
Total civilian <u>7/</u>	:Millions	51.6	51.2	56.7	58.1	58.0	57.4
Employees in nonagri.est. <u>5/</u>	:Thous.	48,144	36,398	39,044	39,265	39,881	40,147
Farm <u>3/</u>	"	1,844	10,907	11,422	11,586	11,044	11,111
Government finance (Federal) <u>8/</u>	:Mil.dol.						
Receipts, net	"	3,837	5,189	4,479	2,539	2,434	4,478
Expenditures	"	7,470	6,687	5,352	3,644	2,932	2,755

Annual data for the years 1929-45 appear on page 20 of the March 1946 issue of the Demand and Price Situation.

Sources: 1/ Federal Reserve Board; converted to 1935-39 base. 2/ U. S. Dept. of Labor, B. L. S. 3/ U. S. Dept. of Agriculture, BAE. To convert prices received and prices paid, interest and taxes to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ U. S. Dept. of Commerce. 5/ U. S. Dept. of Labor B.L.S. 6/ Consumers' price index for moderate-income families in large cities. 7/ U. S. Dept. of Commerce, Bureau of Census. 8/ U. S. Dept. of Treasury. Data for 1945 are on average monthly basis.

 THE DEMAND AND PRICE SITUATION

Approved by Outlook and Situation Board, November 25, 1946

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DEMAND FOR FARM PRODUCTS

The high level of general business activity in the United States through November, together with a substantial foreign market, have resulted in an exceptionally strong demand for farm products, although the postwar peak of this demand has probably been attained. The trend in the general price level continues upward following the virtual elimination of price controls in November, but the strength is principally in prices of nonagricultural products, as movements in central market prices indicate that prices received by farmers during the next three months may average 5 to 10 percent below the record high level of mid-October.

The strike in bituminous coal is already retarding the expansion of total employment and the output of industrial goods, which have attained record peacetime levels since the spring of 1946. If a prolonged stoppage of coal output develops, the general level of domestic economic activity will decline sharply. The domestic economic situation during 1947 cannot be properly appraised until the length of the strike and the nature of the settlement, with its repercussions on wages and prices, have been determined.

Output and Employment

The output of goods by industry continues at record peacetime levels. Industrial production in October as measured by the Federal Reserve Board's index (seasonally adjusted 1935-39=100) increased slightly to 182 from the previous month's level of 180. Increases in the level of production during August, September, and October were relatively small and suggest, that even apart from the coal strike, restraining influences such as near-capacity output of basic materials and virtual full employment of manpower resources at current wage rates, militated against further expansion.

The production of steel, one of the most important basic materials, decreased slightly from September to October. The seasonally adjusted index in October stood at 193, one percent above September and 21 percent above a year ago. Weekly figures on steel production in October reflected a virtually constant rate of production throughout the month.

Motor vehicle production in October increased about 7 percent from the September level, reaching an annual rate of production of 4.6 million units, only slightly below the 1941 rate of 4.8 million.

Census estimates place the civilian labor force in October at about 59.4 million persons, the same as in September. Nonagricultural employment increased from 48.6 million in September to 48.8 in October while the number unemployed declined to a postwar low of 1,950,000. This extremely low level of unemployment indicates in another way the tightness of the industrial production picture in early November.

Income and Related Factors

Total income payments to individuals, although still above the wartime peak annual rate of \$164.7 billion in February 1945, dropped from a seasonally adjusted rate of \$169.3 billion in August to 165.5 in September.

Salary and wage payments, the largest component of total income payments remained virtually unchanged in September from the August level. During the first 9 months of 1946, a smaller share of total payments has been going to wages and salaries than during the corresponding period a year ago. Salary and wage payments for the first 9 months of 1946 amounted to 65 percent of total payments compared with 70 percent during the same period in 1945. On the other hand, net income of proprietors, net rents, interest, and net corporate profits averaged 10 to 15 percent higher than during the same period a year ago. Unless wages and salaries increase relative to total income payments, consumer expenditures may decline.

Total retail sales for the first half of 1946 conformed with the usual relationship of sales to disposable income of individuals. Sales of nondurable goods, however, were considerably above this relationship, while those of durable goods were well below. If these deviations were temporary, the return to historical relationships may significantly affect the demand for and consequently the price of farm commodities. As durable goods become available, it is possible that relatively more consumer purchasing power may shift to the purchase of such durable goods as automobiles, radios, and household appliances and away from nondurable goods of which farm products are a major part. If there are substantial increases in disposable income, however, expenditures for nondurables may continue at present high levels.

The seasonally adjusted volume of sales at department stores in October was smaller than in September. Since prices were generally rising it appears likely that an even greater decline occurred in the actual volume of goods moving across department store counters. Seasonally adjusted sales in October were 19 percent above October 1945- and 153 percent above the 1935-39 average. During the first nine months of 1946 seasonally adjusted sales averaged 30 percent above the corresponding period of a year ago and were 162 percent above the 1935-39 average. The decline in October was the second successive decline since sales volume reached its peak in August and may indicate that consumer resistance to price rises may have at least checked further expansion in sales.

The total value of business inventory continues to rise. The August, inventories of business increased \$1.1 billion, bring the total to the record level of \$71 billion. Although rising prices have naturally influenced the magnitude of these dollar totals, considerable physical accumulation also occurred. Despite this record accumulation, however, the relationship of inventories to sales for manufacturers, wholesalers, and retailers is still either below or in line with the relationship which existed in the prewar period. But the fact that inventories are building up indicates that resources can continue to be employed at capacity levels only if the eventual decrease in the demand for goods going into inventories is offset by increases in demands for plant and equipments, increased final consumption of export.

The steadily monthly increases since January in the total value of building contracts awarded came to a halt in July and August when contract awards showed decreases of 5 percent and 4 percent respectively. This downward movement is largely the result of material shortages and cost increases growing out of those shortages, and indicates that construction activity will be hampered until those shortages disappear.

COMMODITY PRICES

The general price level, as measured by the BLS all-commodity index of wholesale prices, increased steadily from mid-September to the second week in October. With the lifting of price controls in mid-October on livestock and meats, fats and oils, and mixed and byproduct feeds, the index jumped from 126 (1926=100) to 135.1 for the week ending October 19, but had declined to 134.8 by the second week in November. The consumer-price index reached 145.9 percent of the 1935-39 base in mid-September and, with the high prices for meats and fats and oils following decontrol, the index for October will no doubt reach the peak of 149.4 reported for June 1920. Moreover, with the termination in November of virtually all prices controls and the expected large volume of Christmas buying, further rises in the consumer price index are in prospect.

The weekly index of wholesale prices of farm products increased from 160.2 (1926=100) in mid-October to 170.1 for the last week in October and then declined to 166 by the second week in November. This net rise in the index was due primarily to higher prices for livestock and some livestock products, oil crops, high protein feeds, and dry beans following decontrol of these commodities. Prices for cotton and corn however, declined over this same period.

Daily market prices at Chicago for good and choice 200-220 pound hogs as reported by PMA jumped from \$16.25 October 14, to \$26.25 on the 15th and 16th, then declined and have since fluctuated between \$22 and \$25. For the same days, Chicago prices for good 1000 pound steers rose from \$19.62 to \$26.01 on the 15th and to \$30.25 on the 16th. Since that time steer prices have fluctuated between \$24 and \$27. Prices of flaxseed, cottonseed and soybeans rose immediately after decontrol October 17, reflecting the high level of demand for and short supplies of these commodities. Prices of several major farm commodities, however, have weakened since mid-October when many farm commodities were released from price control. The 10-market spot price of 15/16-inch American Middling cotton made a spectacular decline from 38.45 cents per pound October 15, to a low for the month of 29.20 cents. On November 13, the price was 30.65 cents per pound. Corn prices have declined more than seasonally since mid-October reflecting the influence of the record large corn crop. The price of No. 3 yellow at Chicago declined from \$1.99 for the week ending October 12, to \$1.44 for the second week in November.

The wholesale food price index for the week ending October 19, was 175.6 percent above the 1925 average, about 38 points above the preceding week. This abrupt rise can be accounted for by the jump in meat prices immediately following decontrol. Since the first spurt in prices, the weekly index has eased off to 162.5 for the second week in November.

The index of prices received by farmers rose abruptly from 243 (1910-14=100) in mid-September to 273 October 15, a jump of 30 points over the previous month. This unprecedented rise reflected the sharp increase in livestock prices following the decontrol of meat prices October 15. Higher prices for dairy and poultry products, cotton, food grains and most oil crops contributed to the higher level of the prices received index. However, fruit and truck crop prices were lower than in mid-September and feed grain and hay prices were only slightly above the previous month. Since mid-October, market prices of most decontrolled items (livestock, fats and oil crops, mixed and byproduct feeds and dry beans and peas) have leveled off somewhat below the peaks reached immediately following decontrol. Moreover, central market prices of several major farm commodities have declined in the past month. These trends in central market prices indicate that the level of prices received by farmers during the next 3 months may average 5 to 10 percent lower than the record-high levels of last month.

The index of prices paid by farmers including interest and taxes rose sharply from 200 (1910-14=100) in mid-September to 207 October 15. Higher prices for food and clothing were primarily responsible for the rise in prices paid by farmers. Food prices in general have averaged higher since mid-October, clothing prices have remained relatively steady, corn prices were declining in early November, but most byproduct and protein feeds were well above mid-October levels. Taking into consideration relative importance of the products involved, the magnitude of price changes, and finally, with the decontrol of virtually all commodities November 10, it is likely that the level of prices paid by farmers will continue to rise for several months.

The parity ratio for October -- the ratio of prices received to prices paid, interest and taxes -- was 132 percent of the 1910-14 average, 10 points above the previous month and 18 points above October 1945.

Total cash receipts from farm marketings during the first 11 months of 1946 amounted to around 20.7 billion dollars, 10 percent above those of the same period in 1945. Receipts from livestock and products were about 5 percent greater than last year, and crop receipts were probably about 16 percent higher. Part of the increase in cash receipts was due to unusually high income from meat animals since price decontrol, and to higher prices for nearly all farm products.

Preliminary estimates indicate that cash receipts in November were about 2.6 billion dollars, 9 percent below October, but 16 percent above November 1945. Receipts from meat animals showed a relatively sharp gain over those in October. Income from fruits and nuts did not decline as much as usual from the October level, as increased prices helped to offset decreases in volume of some of the important deciduous fruits, while moderate declines in prices were accompanied by pronounced increases in marketings of citrus fruits. Receipts from vegetables did not show the full seasonal decline because of marked increases in prices of truck crops and dry edible beans. Receipts from oil-bearing crops did not drop as much as usual due to a sharp rise in the price of flaxseed.

In October, total cash receipts from farm marketings were around 2.9 billion dollars. Higher prices and greatly increased marketings of meat animals during the last half of the month resulted in an unusually large gain in cash receipts from livestock and products. Receipts from cotton, oil-bearing crops, tobacco, and fruits and nuts increased seasonally.

LIVESTOCK AND MEATS

Prices of hogs and cattle are expected to decline moderately from present present high levels through midwinter as meat supplies become more abundant. Cattle slaughter apparently reached its peak for the year in late October and early November, but it is likely to continue seasonally large through January. Hog slaughter is expected to be at seasonally high levels in December and January. However, hog prices may again advance in the spring as hog slaughter declines. Lamb prices probably will continue high relative to cattle and hog prices.

Meat-animal prices in late 1947 probably will be lower than in late 1946, reflecting some decrease in consumer demand and a prospective increase in the 1947 spring pig crop. Hogs from that crop will be marketed beginning in October next year. A large beef and veal production is in prospect for 1947. Pork production will be reduced more than seasonally next spring and summer as a result of the sharp drop in the 1946 fall pig crop, but production of pork will increase much more than seasonally in the fall.

The usual movement of grass-fat cattle to market was delayed by price uncertainties until mid-October, and the number of such cattle to be marketed through early winter is large. Marketings of fed cattle will increase through the spring, and marketings through next summer may be a record.

Fewer sheep and lambs will be marketed this winter than last. The 1946 lamb crop was the smallest in 5 years, and fewer lambs are available for grain-feeding this year. Lamb slaughter will show a further reduction in the second half of 1947 with another reduction in the lamb crop in prospect. Stock sheep numbers on January 1, 1947 will be less than a year earlier with a continued large slaughter of mature ewes this year.

DAIRY PRODUCTS

Dairy products prices have about reached the peak for 1946, and probably will decline, at least seasonally, as soon as production turns upward after the seasonal low of the next few weeks.

The desire of manufacturers and distributors to build up and maintain stocks has helped account for the rising prices of dairy products, but probably will have less effect after the coming production upturn. In mid-October, the index of prices received by farmers for all dairy items was 286 (seasonally adjusted, 1910-14=100) compared with 261 in July of this year and an average of 122 for the 1935-39 period.

Dairy products were not directly affected by the widespread decontrol actions during October and November, although following decontrol of meats, the butterfat-hog and the butterfat-beef cattle price ratios became relatively unfavorable to dairying. However, supplies of feeds are sufficient to permit expansion of the 1947 spring pig crop and increased cattle-feeding without curtailing those available to dairying. Dairy product-feed price ratios were more favorable in October than during the summer and are likely to continue at the long time average or above well into 1947.

Wholesale butter dropped 7 to 9 cents per pound following decontrol of edible fats and oils in mid-October, but later regained part of the losses. The initial drop occurred in part because of temporarily larger market supplies of competing fats. Cheese prices declined in early November but prices of other dairy products remained steady or increased during the month ending November 12.

Consumption of fluid milk and cream apparently has continued to decline more than seasonally. As a result, the index of production of manufactured dairy products (seasonally adjusted) has gone up, with butter showing the greatest increase.

A new record output of milk per cow was reached November 1. But with fewer milk cows on hand, total milk production in October was 8.9 billion pounds compared with 9.1 billion pounds in October 1945.

POULTRY AND EGGS

Record high prices for chickens and turkeys were reached on October 15 while egg prices were the highest since February 1921. It is unlikely that these prices will again be reached in the next few years. Following decontrol of virtually all foods in mid-October, wholesale egg prices declined 10 to 15 percent, and chicken and turkey prices about 25 percent.

Egg prices are expected to remain near support levels, (90 percent of parity) through the first half of 1947. Foreign demand, while still substantial, is expected to be smaller than in 1946. If the present level of the index of prices paid by farmers is maintained, 90 percent of parity in the first half of 1947 would be above actual returns received in the first half of 1946. Some purchases may be necessary for price-support purposes, depending on the size of exports.

Chicken and turkey prices in the next few months may increase from mid-November levels as a result of seasonally smaller poultry supplies, continuation of high consumer purchasing power, and high meat prices. But by middle or late 1947, poultry prices may again decline, reflecting prospective decreases in consumer incomes and seasonally large meat supplies in the fourth quarter next year. Currently, supplies of chicken are below last year. Civilian supplies of turkey for the holiday season are about as large as last year's record consumption.

FATS, OILS, AND OILSEEDS

Prices of most oilseeds, oilseed meals, and fats and oils advanced to record highs after termination of price ceilings in mid and late October. Flaxseed prices in early November rose to \$7.25 per bushel at Minneapolis, about 80 percent above the October ceiling of \$4.00. Soybean prices in early November were about \$3.25 per bushel, country track, compared with the former ceiling of \$2.25. Cottonseed prices to farmers also were materially above the mid-October average of \$66 per ton. Prices paid for farmers' stock peanuts rose to 10 to 11 cents per pound, reflecting in part an increase in the value of peanuts for crushing.

Oilseed-meal prices in early November ranged from \$94 to \$105 per ton, (bagged, f.o.b. market), \$30 to \$35 per ton over the former ceilings. The general level of wholesale prices of domestic fats and oils (including butter) was 26 percent higher than in early October and about triple the 1935-39 average.

During the next few years, prices of fats and oils are likely to average materially higher than before the war, although below present abnormally high levels. World export supplies of fats available to North America and Europe -- particularly of palm oil, soybeans, and whale oil -- will not return to prewar volume before 1948 at the earliest. Moreover, animal-fat production in Europe will be subnormal for several years, and world populations and demands are increasing.

Output of fats and oils in the United States from domestic materials in the year beginning October 1946 probably will be slightly smaller than a year earlier and the smallest since 1939. Factory and warehouse stocks on October 1 were about 700 million pounds (37 percent) below the prewar average. With some rebuilding of inventories likely, consumption of fats and oils in the United States may increase only slightly, if at all, despite a prospective increase in imports over the low 1946 level. These factors will tend to support prices of fats and oils during most of 1947. Nevertheless, if there is a recession in general business activity, a fairly sharp decline in prices of fats and oils may occur.

CORN AND OTHER FEED

Feed grain prices are expected to average moderately higher, and most byproduct feeds much higher, during the winter and next spring than in the period of 1945-46. The removal of price controls on byproduct feeds and commercial mixed feeds in mid-October was followed by sharp increases in the prices of most of those feeds. By mid-November prices of high-protein feeds were generally \$30 to \$40 per ton above the ceilings in effect in the first half of October, but wheat millfeeds and alfalfa meal prices were only slightly higher than former ceilings. The removal of price controls on byproduct feeds apparently had little effect on feed grain prices. Corn declined more than seasonally during October and early November, as supplies from the record 1946 crop became available in greater volume. By mid-November corn prices had declined to about \$1.35 per bushel at Chicago, about 80 cents below the high level of last July. Government price supports on 1946 corn were announced on Nov. 18 at \$1.15 per bushel, as a national average. For the Corn Belt the support prices are about 15 cents per bushel higher than price supports on 1945 corn.

Demand for feed for non-feed purposes and for export will be strong during the 1946-47 feeding season. But feed requirements may be less than in 1945-46 chiefly because of the reduced number of livestock on farms. Most livestock-feed price ratios are expected to be favorable at least through the first half of 1947, and an increase in livestock production is in prospect. The 1947 spring pig crop is expected to be larger than that of 1946. Production of commercial broilers and turkeys probably will be increased in 1947. A larger number of cattle are expected to be grain fed this winter than last.

The supply of feed grains per animal unit for the 1946-47 feeding season beginning October is considerably larger than in 1945-46. Total supplies of byproduct feeds per animal unit also probably will be larger than a year earlier. High-protein feed supplies are expected to be about the same per animal unit as in 1945-46.

WHEAT

The large export demand continues to be an important factor in maintaining strength in wheat prices which in mid-November were slightly above a month earlier. Actual exports of wheat and flour in July-December will total less than 150 million bushels, considerably short of the quantity originally planned. This would be below the 200 million-bushels exported in the same period a year earlier but sharply above the 29 million bushel, six-month average in 1937-41. Although the maritime strike has been settled the shortage of cars is still keeping the supplies which can be offered for sale in terminal markets at a relatively low level. For the 14 weeks ended November 9, car loadings of grain and grain products were 14.6 percent below a year earlier.

Domestic wheat supplies in 1946-47 -- now estimated at over 1,270 million bushels (carry-over of 101 million and crop of 1,169 million) -- are over a fourth above the 10-year 1932-41 average, although below each of the past 5 years. Wheat disappearance in the 1946-47 marketing year in the United States is expected to total about 770 million bushels, leaving about 500 million bushels for export and carry-over. If exports reach the goal of 267 million bushels (250 million 1946 crop and 17 out of the old carry-over) it would leave a carry-over July 1, 1947 about equal to the 1932-41 average of 235 million bushels.

World wheat production in 1946, excluding the U.S.S.R. and China, is now estimated at about 4.2 billion bushels, about 3 percent above the 1935-39 average. The European total is 16 percent below this average. Compared with the small outturn last year, improvement is most marked in the Mediterranean countries, especially in France, Italy, Spain and the Balkans. The crop in the USSR is expected to total slightly above a year earlier, but still considerably below the prewar level. In North America, the Canadian crop, estimated at 419 million bushels, is 37 percent above 1945. Prospects in the Southern Hemisphere are for a total outturn above 1945, but still below average. Even though there has been improvement in world production this year, the total stated import requirements are again greatly in excess of world exportable supplies.

FRUIT

Stimulated by the usual Christmas holiday demand for fruit, prices generally are expected to remain fairly steady until the first of next year. Thereafter, prices for apples and pears probably will rise seasonally. In contrast prices for citrus most likely will decline with mounting supplies.

Prices received by growers for apples and pears have advanced somewhat following the seasonal low levels reached in late summer and early fall when large harvest-time marketings were made. Sales from storage stocks are expected to bring higher prices. The price behavior observed thus far this season suggests that prices for the 1946 crop of pears will average about as high as those for the 1945 crop, but that prices for the 1946 crop of apples will average moderately lower than the very high prices received for the record-low 1945 crop.

As harvest of the new citrus crop got in full swing in Florida and Texas in late October and early November, terminal market auction prices for grapefruit and oranges dropped sharply, reaching levels slightly below those of a year earlier. Even with some increase in marketings, prices probably will remain at or near these new levels until the holiday trade is over. The usual seasonal declines in prices seem likely in January and February.

Despite unusually large crops of grapes and cranberries this year, demand has been sufficiently strong to result in wholesale prices substantially above those of last year when ceilings were in force. Prices for these two fruits are expected to continue at the present high levels.

TRUCK CROPS

Prices which farmers receive for commercial truck crops grown for fresh market are rising seasonally this fall but are moderately below prices received in comparable months a year ago. Although demand continues strong, prices in general approximate those of the 1942 fall season.

Total commercial production for the fall season is estimated to be about 5 percent larger than a year earlier and more than 45 percent above average. Acreage indicated for winter season harvest of cauliflower and kale is up slightly from last winter, but the commercial crop of winter season shellots is expected to be about one-fourth smaller than a year earlier.

Reports from growers on their intentions indicate nearly as large an acreage of asparagus as was cut in 1946 will be available next spring for fresh market and for processing. Growers intentions to plant early spring onions in South Texas point to an acreage 15 percent smaller than that of 1946.

Estimates of packers' and distributors' stocks of canned vegetables reflect a very rapid movement of the new pack into distributing channels. This rapid movement will undoubtedly encourage processors to seek contracts for rather large acreages again next year. Frozen vegetables have moved into storage in considerably heavier-than-usual volume this fall, and stocks are currently more than half again as large as holdings for comparable dates of recent years.

POTATOES

Prices received by growers for potatoes in the major surplus producing areas probably will make no more than slight rises as long as "home-grown" supplies are available in and near the normally deficit areas. Mild weather this fall permitted full development of potatoes and virtually uninterrupted harvesting in nearly all areas.

Demand for potatoes this fall has been somewhat lighter than usual because reduced consumption resulting from the continued warm weather and because dealers knew a bountiful crop was available in the country and therefore have been in no hurry to get supplies lined up. Prices received by farmers, all methods of sale, averaged only 87 percent of parity in September and 80 percent in October.

Beginning in mid-September, loans have been available to growers on late potatoes suitable for approved storage at somewhat less than the support price, with the full support price to be credited when such potatoes are delivered to the Commodity Credit Corporation in settlement of loans. The loan program is being supplemented by diversions to export, industrial, and feed outlets. For example, Belgium has provided an outlet for slightly more than one-half million bushels, movement of which was delayed for a time because of the shipping strike and a shortage of railroad cars. Demand for some of our surplus potatoes also appears promising in other countries, if the potatoes can be made available at attractive prices.

SWEETPOTATOES

Sweetpotatoes are continuing to sell at prices 25 to 30 percent higher than the support level and 5 to 10 percent higher than prices a year earlier. The usual portion of the crop which lacked adequate storage space has now been moved to market. With the strong demand expected this winter, and supplies available only out of storage, prices received for sweetpotatoes are expected to rise gradually and seasonally through this winter and next spring.

DRY EDIBLE BEANS AND PEAS

Following the release of dry edible beans and peas from price control October 24, prices received by growers for beans advanced sharply, doubling for one variety. Prices for most varieties tended to stabilize at levels from one-third to one-half above the old ceiling prices where they probably will remain for several months. Most of the beans had passed out of the growers' hands by the time price controls were removed.

Prices for dry peas advanced only slightly following the removal of price controls, and probably will continue at these new levels. Supplies of peas were more nearly in balance with demand at the old price levels than were supplies of beans. A somewhat larger percentage of the pea crop than of the bean crop was still in growers' hands at the termination of price controls for these two commodities.

COTTON

Cotton prices broke at an unprecedented rate in late October and markets generally were chaotic. As a result, trading was suspended on the futures exchanges on three different days during the following three weeks. Prices of Middling 15/16-inch cotton at the 10 markets dropped to 27.95 cents per pound November 7, which compares with 38.45 cents on the day prior to the break October 16, and the season's peak of 38.93 cents October 2. The decline in cotton prices of slightly more than 50 dollars a bale within 3 weeks wiped out the gains made since early June of this year. The recent break was more rapid but not as great as that following World War I.

The October break in cotton prices occurred in spite of an unusually high peacetime rate of domestic mill consumption and the smallest domestic supply of cotton for more than 20 years. Trading was suspended on the futures exchanges to allow the market to become better organized. As a result of the disturbed conditions, mill buying decreased, spot market activity was reduced considerably, and farmers began holding their cotton off the market. Indications are that more cotton is being placed under Government loan since the recent decline.

Although a number of factors were involved, the recent market break is generally attributed mainly to the exceptional amount of speculation in the market. The Commodity Exchange Commission has called a hearing for December 10 to consider limiting speculative holdings of any individual to a total of 30,000 bales in all futures months on each market. At present an individual may hold this amount for each trading month in each of the three futures markets. Hedging transactions are exempt from such limitations.

The official estimate of the 1946 crop as of November 1, is 8,487,000 bales of 500 pounds gross weight. This is a reduction of 2.7 percent from production estimates for a month earlier. The smaller estimate had a bolstering effect on the market and prices advanced the limit of \$10 per bale on the day of the announcement. A crop of this size gives a supply of American cotton in the United States for the 1946-47 season of about 15.7 million bales. Should domestic consumption exceed that of last year by a small amount as is indicated by the consumption rate for the first quarter, and if exports reach present expectations of about 3 million bales, the carry-over of all cotton in the United States on August 1, 1947 would be reduced to about 3.5 million bales. This compares with 7.5 million bales carry-over on August 1, 1946 and an average of 8.3 million bales for the 1935-39 average.

WOOL

Because of the continuing rise in the parity price of wool, CCC selling prices for domestic wool were again increased, effective November 11. With prospects of further increases in parity through the early months of 1947 and indications that the recent sharp rise in foreign prices may have about reached its peak, the outlook for sales of Government wool is less favorable than in October. Prices of fine wool continued to increase in foreign markets in October and early November because of strong demand from Continental European countries. United States buying was limited. The British Joint Organization (J.O.) has increased the quantity of Dominion wool being offered at London, Liverpool, and Bradford. This is in line with the organization's policy of stabilizing prices by adjusting offerings to demand. CCC will continue until April 15, 1947 to purchase wool at 1946 support prices which average about 10 percent above the revised November selling prices.

Estimated stocks of domestic and imported apparel wool on September 28, of 1,000 million pounds, grease basis, were 230 million pounds larger than a year earlier. The September stocks included 690 million pounds of domestic wool (mostly Government owned), 190 million pounds more than a year earlier, and about 330 million pounds more than indicated 1946 domestic production. About one-fifth of the 1946 production had not yet entered marketing channels at the end of September and was not included in reported stocks. Total U. S. stocks will continue unusually large because of large Government holdings.

Mill consumption of domestic and imported apparel wool in September continued at an annual rate of 1.1 billion pounds, grease basis. Civilian consumer demand in 1947 will not be large enough to maintain this high rate after commercial inventories of wool manufactures are built up. Hence consumption is expected to decline in 1947. But even with a moderate decline in consumer incomes from the current high level, consumption should continue much larger than the 1935-39 average of close to 600 million pounds, grease basis.

TOBACCO

Marketings of the 1946 flue-cured tobacco crop are more than 75 percent completed. Average prices during late October and early November declined from 6 to 11 percent below those of previous weeks for types 11a, 11b, and 12 which are now selling. Type 12, the Eastern North Carolina flue-cured, averaged 54.8 cents per pound in October, about 3-1/2 cents above September. Prices in the Middle and Old Belts averaged around 47 cents when those markets opened in late September, and the strong demand lifted the average price to about 50 cents during much of October. High cigarette production and tobacco exports have been contributing factors to a continuing strong demand. For the season to date flue-cured prices have averaged 15 percent above last season. The announced 1947 burley marketing quota, which involves a substantial cut in acreage and production, will be a price-strengthening influence.

Burley growers approved the extension of marketing quotas for 3 years by a heavy majority in the referendum on October 25. Pennsylvania and Ohio cigar filler and Wisconsin cigar binder will begin selling in December and are expected to be in strong demand at prices above a year ago.

Domestic consumption of both cigarettes and cigars in September, as indicated by sales of revenue stamps, was lower than in August, 1946, but above September 1945. The monthly average production (tax-paid plus tax-free removals) for January-September 1946 was close to 29.0 billion cigarettes compared to 28.4 billion in the same period in 1945. Indicated monthly cigar withdrawals for the first 9 months of 1946 have averaged 477 million compared to 406 million in the same months of 1945. The manufacture of cigarettes and cigars in October and November will be high in anticipation of a large holiday volume. Exports of flue-cured were down sharply in July but increased in August. Export demand will continue to account for a substantial volume of tobacco. About 31 million pounds (export weight) of flue-cured were shipped in August. Although this is somewhat lower than the 35 million-pound monthly average for the marketing year 1945-46, it is considerably above the prewar average.

The popular-priced brands of cigarettes were advanced in price in October. The wholesale price advance of about 25 cents per 1,000 has resulted in an increase in the price to the consumer of 1/2 or 1 cent per package of 20. Prices of most cigars were increased during August. According to data on sales of revenue stamps, 62 percent of all cigars were priced to sell at 8 cents or less in June-July, whereas in August-September the proportion in that grouping had decreased to 49 percent. In 1940 and 1941, 90 percent of all cigars sold for 5 cents or less.

The higher cigarette and cigar prices, together with other advancing living costs, may result in some increased pipe-smoking--a cheaper form of tobacco consumption. The manufacture of smoking tobacco, chewing tobacco and snuff during August was higher than in July though well below last year except for fine-cut and scrap chewing.

